

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION  
TOWNSHIPS OF CASEVILLE AND LAKE  
COUNTY OF HURON  
CASEVILLE, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2007**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Caseville Area Fire Protection Association	County Huron
Fiscal Year End March 31, 2007	Opinion Date August 31, 2007	Date Audit Report Submitted to State September 7, 2007	

We affirm that:

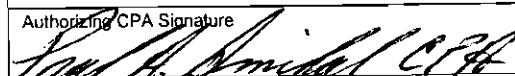
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Smihal & Co		Telephone Number (989)269-1992		
Street Address 131 N. Heisterman		City Bad Axe	State MI	Zip 48413
Authorizing CPA Signature 		Printed Name Paul Smihal		License Number 110106726

BAD AXE, MICHIGAN  
OFFICE: 989-269-1992  
FAX: 989-269-1993



Paul Smihal, CPA  
September 7, 2007

CASEVILLE, MICHIGAN  
OFFICE: 989-856-2250  
FAX: 989-856-9303

To the Fire Board  
Caseville Area Fire Protection Association  
6833 Main Street  
Caseville, MI 48725

I have audited the accompanying financial statements of the business-type activities of the Caseville Area Fire Protection Association, Caseville, Michigan as of and for the year ended March 31, 2007, as listed in the table of contents. These financial statements are the responsibility of Caseville Area Fire Protection Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Caseville Area Fire Protection Association, Caseville, Michigan, as of March 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 and 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Yours truly,

  
Paul A Smihal, CPA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Introduction

The discussion and analysis of Caseville Area Fire Protection Association Fire Board's financial performance provides an overview of the Board's financial activities for the year ended March 31, 2007. This report is a part of the Board's Annual Report.

The purpose of the Board is to provide fire protection for Caseville and Lake Townships.

### Using the Annual Report

This annual report consists of a series of financial statements as follows:

**The Statement of Net Assets** presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets.

**The Statement of Revenue, Expenses and Changes in Net Assets** presents information showing how the Board's net assets changed during the most recent year. All changes in net assets are reported on an accrual basis, that is, the event is recorded in the accounting records when the underlying event takes place regardless of the timing of the related cash flows.

**The Statement of Cash Flows** presents the financial activities of the Board on cash received and cash paid basis.

**Notes to the Financial Statements** provide additional details underlying the data provided in the financial statements.

### Financial Highlights

The Statement of Net Assets outlines the assets, liabilities and net assets of the Board.

Unrestricted Current Assets (cash, investments and receivables)	\$ 375,214
Capital Assets	<u>1,588,000</u>
<b>Total Assets</b>	<b><u>\$ 1,963,214</u></b>
Current Liabilities	\$ 80,000
Non-current Liabilities	<u>-0-</u>
<b>Total Liabilities</b>	<b><u>\$ 80,000</u></b>
<b>Total Net Assets</b>	<b><u>\$ 1,883,214</u></b>

The Board realizes nearly all of its operating revenue is from two sources: property tax revenue levied as a special millage for the two townships it serves and standby fees.

Total Revenue	<b><u>\$ 260,012.00</u></b>	(100%)
Property Tax Revenue	\$ 242,059.00	(93%)
Standby Fees & Ins. Claims	<u>\$ 17,953.00</u>	(7%)
	<b><u>\$ 260,012.00</u></b>	(100%)

The relative percentages for sources of revenue do not change significantly from one year to the next.

The largest expenses are depreciation making up \$119,407 or 47% of the expenses and salaries in the amount of \$54,202 or 21% of the expenses. Personal services and materials make up the remaining \$79,415 or 32% of the total expenses.

**Request for Information**

This financial report is designed to provide citizens of Lake and Caseville Townships with a general overview of the Board's finances and to show accountability for the funding it receives. Questions concerning any of the information in this report should be addressed to: Len Pilato, Chairman, Caseville Area Fire Protection Association, and Caseville, MI 48725.

# CASEVILLE AREA FIRE PROTECTION ASSOCIATION

## STATEMENT OF NET ASSETS MARCH 31, 2007

<b>Current assets:</b>		
Cash	\$ 357,603	
Accounts receivable	17,611	
Total current assets	<u>          </u>	\$ 375,214
<b>Non-current assets:</b>		
<b>Capital assets:</b>		
Land	84,411	
Land improvements	85,190	
Building	679,023	
Equipment and furniture	296,603	
Office Equipment	9,836	
Vehicles	858,008	
Accumulated depreciation	<u>(425,070)</u>	
Total non-current assets		<u>1,588,000</u>
<b>Total assets</b>		<u><u>\$ 1,963,214</u></u>
<b>Current liabilities:</b>		
Accounts payable	\$ -	
Current portion of long term debt	<u>80,000</u>	
Total current liabilities		80,000
<b>Non-current liabilities:</b>		
Note payable - net of current portion		<u>-</u>
<b>Total liabilities</b>		80,000
<b>Net assets:</b>		
Unrestricted		1,883,214
Total net assets		<u><u>\$ 1,883,214</u></u>

The accompanying notes are an integral part of these financial statements.

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION**

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED MARCH 31, 2007**

**OPERATING REVENUES:**

Property Tax Revenue:		
Caseville Township	\$	158,280
Lake Township		67,125
Delinquent Tax Revenue:		16,654
Oakwood Housing Tax Revenue:		145
Insurance Claims		7,008
Standby Fees:		
Chandler Township		10,200
McKinley Township		600
<b>TOTAL OPERATING REVENUE</b>		<b>\$ 260,012</b>

**OPERATING EXPENSES:**

Salaries	54,202
Taxes - FICA	4,146
Supplies	905
Communications	1,717
Memberships and dues	45
Mileage	203
Fire Prevention	1,070
Service Contract	1,948
Gasoline	1,203
Insurance	19,523
Utilities	5,986
Repairs and Maintenance	25,942
Education and Training	1,474
Office supplies	299
Software support	1,373
Physicals and Medical Expense	2,585
Depreciation expense	119,407
Internet Charges	277
Legal and Professional fees	3,225
Water	655
Miscellaneous	-

**TOTAL OPERATING EXPENSES** 246,185

**OPERATING INCOME (LOSS)** 13,827

**NONOPERATING REVENUE (EXPENSES):**

Interest Income	1,901
Interest expense	<u>(6,840)</u>

**TOTAL NONOPERATING REVENUE (EXPENSES):** (4,939)

**CHANGE IN NET ASSETS** 8,888

**PURCHASE OF FIXED ASSETS** 285,711

**NET ASSETS AT APRIL 1, 2005** 1,668,615

**NET ASSETS AT MARCH 31, 2006** \$ 1,963,214

The accompanying notes are an integral part of these financial statements.

**CASEVILLE AREA FIRE PROTECTION ASSOCIATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2007**

<b>Cash Flow from operating activities</b>		
Increase (decrease) in net assets	\$ 8,889	
New Accounts Receivable	(15,083)	
Payment of Accounts Payable	(33,600)	
Reserve for Payments on Fire Truck	(152,364)	
<b>Net Cash Flows from Operating Activities</b>		\$ (192,158)
 <b>Cash Flow from Investing Activities</b>		
Payment of Caseville & Lake Township Debt	\$ (120,000)	
Purchase of Machinery & Equipment	(32,545)	
Depreciation	56,019	
<b>Net Cash Flow from Investing Activities</b>		\$ (96,526)
 <b>Cash flows from Financing Activities</b>		
Payment of Debt - Bldg Caseville Township	\$ (30,240)	
Payment of Debt - Building Lake Township	(11,760)	
Payment of Debt - Caseville Truck Loan	(86,400)	
New Debt Added - Caseville Township - Truck	57,600	
New Debt Added - Lake Township - Truck	22,400	
Increase in Equity	220,420	
<b>Net Cash flows from Financing Activities</b>		\$ 172,020
 <b>Net Cash Increase (Decrease) for period</b>		\$ (116,664)
 <b>Beginning Cash Balance April 1, 2006</b>		\$ 474,268
 <b>Ending Cash Balance March 31, 2007</b>		<u><u>\$ 357,603</u></u>

The accompanying notes are an integral part of these financial statements.



# CASEVILLE AREA FIRE PROTECTION ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies are described below.

In June 1999, GASB unanimously approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the Board's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Board has elected to implement the general provision of the statement in the current year.

### **Reporting Entity**

The Caseville Area Fire Protection Association is a jointly governed organization, located in the Village of Caseville, which provides fire protection services to participating townships. The Fire Board consists of five (5) members, two (2) from Lake Township, two (2) from Caseville Township and one (1) member from the Village of Caseville.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*, these financial statements present the funds of the Board. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading, if data were not included. Based on the criteria, there are no component units which should be included in the financial statements of the Caseville Area Fire Protection Association.

# CASEVILLE AREA FIRE PROTECTION ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

#### **Measurement Focus, Basis of Accounting and Basis of Presentation**

The Caseville Area Fire Protection Association is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from an exchange and exchange-like transactions are recognized when the exchange takes place.

The Board follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Deposits and Investments**

For purposes of the statement of cash flows, cash is defined as cash and cash equivalents having original maturities ranging from three to fifteen months from the date of acquisition.

#### **Capital Assets**

Capital assets are defined by the Board as assets with an initial, individual cost of more than \$1,000. Capital assets of the Board are reported at cost or the fair market value at the time of contribution to the Board. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	<u>Lives for Depreciation</u>
Buildings	40
Land Improvements	15
Machinery and Equipment	5-25

# CASEVILLE AREA FIRE PROTECTION ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

### **NOTE 2 – CASH DEPOSITS:**

Michigan Compiled Laws, Section 129.91, authorizes the Board Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Board's deposits are in accordance with statutory authority. The Board has authorized management to deposit and invest in the accounts of securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Board's deposits and investments are within the authorization as set forth by the Caseville Area Fire Protection Association.

At March 31, 2007, the carrying amount of the Board's deposits was \$438,669 and the bank balance was \$357,603. Of the bank balance, \$100,000 was covered by federal depository insurance.

### **NOTE 3 – CHANGES IN CAPITAL ASSETS:**

	Balance March 31, 2006	Additions	Disposals	Balance March 31, 2006
Capital Assets:				
Land	\$ 84,411	-	-	84,411
Land improvements	85,190	-	-	85,190
Building	679,023	-	-	679,023
Equipment and furniture	264,058	32,544	-	296,602
Office equipment	9,836	-	-	9,836
Vehicles	738,008	120,000	-	858,008
Total Capital Assets	1,860,526	152,544	-	2,013,070
Less: Accumulated depreciation	369,051	56,019	-	425,070
Net Capital Assets	1,491,475	96,525	-	1,588,000

# **CASEVILLE AREA FIRE PROTECTION ASSOCIATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2007**

### **NOTE 4 – LONG-TERM DEBT:**

On November 24, 1999, the Townships of Caseville and Lake signed an installment purchase agreement for the construction of a fire station building in the amount of \$700,000 payable from the proceeds of special assessments on real property. The fire station was constructed jointly with the townships of Caseville and Lake. The amount was financed through a bank and is backed by Caseville and Lake Townships full faith and credit. Annual principal payments of \$70,000 are due on February 1<sup>st</sup> plus interest. The loan carries an interest rate of 4.85% and will mature on February 1, 2008. The total projected cost of this project is \$700,000. Caseville Township's portion would be \$504,000 or 72% ownership of the building and Lake Township's portion would be \$196,000 or 28% ownership of the building. This loan was paid in full by the year ending March 31, 2007.

During the year ended March 31, 2006, the Townships of Caseville and Lake signed an installment purchase agreement for the purchase of a new fire truck "Tanker" estimated to cost \$218,941. Caseville Township's portion remaining to be paid as of March 31, 2006 is \$86,400 and Lake Township's is \$33,600.

### **NOTE 5 – RISK MANAGEMENT:**

#### **General Liability:**

The Caseville Area Fire Protection Association purchased commercial insurance for all general liability coverage.

#### **Worker's Compensation:**

The Caseville Area Fire Protection Association has purchased Workmen's Compensation insurance from VFIS, represented by Emergency Services Insurance, LLC. The insurance counselor is Brian K. Timmer, CIC, LIC.

### **NOTE 6 – SUBSEQUENT EVENTS:**

There were no subsequent events having a material effect on these financial statements required to be disclosed.

### **NOTE 7 – FUND BALANCE ADJUSTMENTS:**

This change was immaterial to the financial statements as a whole and does not indicate a weakness in internal controls.